

This is the sixth annual *Accountability Report* for the U.S. Department of Health and Human Services (HHS). It is our report to our "stockholders," the American public, and as such we are accounting for the return on the taxpayers' investment. We are also providing this information for the wide array of decision-makers who are interested in our performance, including the Office of Management and Budget (OMB) and the Congress.

The HHS *Accountability Report* is produced under the Reports Consolidation Act of 2000. Prior to this act, it was developed under the auspices of the Government Management Reform Act.

This report covers the period of October 1, 2000 through September 30, 2001, Fiscal Year (FY) 2001, and contains a high level overview of:

- What we do,
- What we did with the federal funds entrusted to us; and
- How well we managed them.

To substantiate what we say, the report contains a discussion of key program, management, financial, and performance information (Section I), that constitutes the Management Discussion and Analysis which accompanies financial statements. The report also includes the Department's FY 2001 financial statements that discuss our financial condition (Section II) and includes the auditors' opinion which is an independent, objective assessment of how accurately we have represented our financial condition (Section III). Also this comprehensive report contains other streamlined reports required under various statutes that require accountability for our financial, management, and program performance (Appendices).

For the convenience of the reader, we have also included an executive summary.

By synthesizing all of this information into a single report, we hope to provide a more complete, accurate, and useful understanding of the Department. Most of our components also are issuing similar reports; those will give the reader more detailed program and financial information.

For more information, please contact the appropriate people listed on the back inside page of this report. Web sites are also provided in the front inside cover and back cover for your convenience.

Costs vs. Outlays

Two key concepts are critical for understanding the HHS financial story. Expenses are one of the ingredients of the financial statements that are in Section II of this report:

- Costs are computed using accrual accounting techniques that recognize costs as services are rendered or consumed by HHS during a specific fiscal year, rather than when funds are received or paid.
- Outlays refer to the issuance of checks, disbursements of cash, or electronic transfer of funds made to liquidate an expense regardless of the fiscal year the service was provided or the expense was incurred. Budget outlays are important because they are used to identify budget surpluses or deficits.

Both concepts are important in understanding the financial condition of HHS.